TESTIMONY OF JAMES H. WASHINGTON, ACQUISITION EXECUTIVE, AND JOHN STAPLES, DIRECTOR, FLIGHT SERVICE PROGRAM OPERATIONS, AIR TRAFFIC ORGANIZATION, FEDERAL AVIATION ADMINISTRATION, BEFORE THE HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE, SUBCOMMITTEE ON AVIATION ON THE TRANSITION FROM FAA TO CONTRACTOR-OPERATOR FLIGHT SERVICE STATIONS: LESSONS LEARNED

October 10, 2007

Good Morning, Chairman Costello, Congressman Petri, I welcome the opportunity to appear before this Subcommittee, and discuss an important issue; the transition from the FAA to a contractor operated system of Automated Flight Service Stations. My name is Jim Washington, and I am Vice President for Acquisition and Business Services of the Air Traffic Organization, and the Acquisition Executive for the Federal Aviation Administration. Accompanying me is John Staples, Director of Flight Service Program Operations for the Air Traffic Organization.

As you know, the FAA and our contract partner, Lockheed Martin, are working together to provide the customer with the best, most efficient and cost effective system of flight service stations possible. Let me also state that efficiency and cost savings are not the first priority for the FAA and Lockheed Martin. The first priority is, and always will be, the safety of the aviation system, no matter the size of the aircraft or the number of persons on board.

Let me take a moment here to quickly review the history of the Automated Flight Service Station contract. On February 1, 2005, the FAA awarded a performance-based contract to Lockheed Martin for the services provided to general aviation pilots through a

government network of 58 Automated Flight Service Stations (AFSSs). The contract was awarded following a 15-month A-76 study begun in 2003.

Prior to the modernization effort, pilots could telephone, and in some cases visit, a flight service station in their area to receive weather information for their region and along their planned route, file a flight plan, and learn about flight restrictions and hazards along their route and at their destination airport. During a flight, pilots could also radio the nearest flight service station to receive updated weather and hazard information, and receive emergency services, as conditions changed. The FAA's FSS system relied on outdated 1970s-era computer technology; maintaining and operating this obsolete system became increasingly difficult and expensive. The General Accounting Office and the Department of Transportation's Office of Inspector General both issued reports that were critical of the existing FSS system, and recommended consolidation of FSS locations, citing significant cost savings. These reports helped drive the A-76 process which resulted in the contract award to Lockheed Martin.

Lockheed Martin was chosen to provide services based on a public private competition in which five bidders, including the FAA's Most Efficient Organization (MEO), competed. The total cost of the award was $1.8 billion covering an initial performance period of five years, with consecutive three-year and two-year award term options. Expected savings and cost avoidances resulting from this contract are in the range of $2.2 billion in capital and labor over a 13-year period.

As part of the bid, Lockheed Martin is expected to make improvements through the introduction of new processes and systems. A new suite of equipment, Flight Services 21 (FS21), has been installed, providing information to specialists and pilots using this service. There are plans for significantly more effective use of the Internet. For the first time, internet users and pilot weather briefers will be able to see the same information while talking to each other. Also, Lockheed Martin is consolidating the services provided by the 58 former FAA sites into 3 new Hubs (located in Leesburg, VA, Ft. Worth, TX, and Prescott, AZ.) and 15 refurbished existing facilities.

On October 4, 2005, Lockheed Martin initiated the delivery of flight services to the flying public. Lockheed Martin staffed all the AFSSs with incumbent employees and continued to provide flight services following the same policies and procedures used by the FAA on October 3, 2005. From an existing FAA AFSS workforce of approximately 2,300 specialists, approximately 1,650 incumbent personnel accepted job offers from Lockheed Martin for day one of operations. In February 2007, Lockheed Martin began implementation of its modernized FS21 system. Currently, Lockheed Martin has almost completed its consolidation to 3 new hubs and 15 refurbished facilities. The refurbished facilities have FS21 console equipment and other improvements.

This performance-based services contract is managed by the FAA through a combination of service requirements defined in a Performance Work Statement (PWS), service standards defined in a Performance Requirements Summary (PRS), and a quality

management structure ensuring effective performance standards measurement as documented in a Quality Assurance Surveillance Plan (QASP).

The Flight Services program requirements were conveyed to the contractor via a Performance Work Statement (PWS) which contained approximately 300 explicit service requirements in four high level categories *Preflight Services, Inflight Services, Operational Services and Special Services*. The contract also incorporated by reference all relevant policies, orders, methodologies, procedures and regulations that govern how Flight Services are to be rendered by the FAA to the flying public. The PWS explicitly gave the contractor the flexibility to meet these service requirements using any reasonable and realistic system architecture and staffing approach. The performance basis for the contract was set in a Performance Requirement Summary (PRS) which contains 21 service level metrics that define acceptable performance levels (APLs), enabling the government to measure contract performance and ensure the quality of service. These metrics were designed to reflect the overall service delivered by the FAA before the transition to a performance-based contract.

On February 22, 2007, Lockheed Martin began the process of consolidating the 58 AFSSs in the continental United States, Hawaii, and Puerto Rico, into 18 facilities and implementing their new system, FS21. FS21 includes all the system tools required for Lockheed Martin flight service specialists to provide services required by the FAA including weather briefings, flight planning, and air-to-ground services to the flying community. Air-to-ground services include providing weather updates and aeronautical

data, enroute flight advisory service, airport advisory service at select locations, activating and canceling flight plans, lost aircraft and emergency assistance. As with the deployment of any new system or any consolidation, some issues have developed. Many of these problems were anticipated and mitigations put in place prior to the start of transition; however some exceeded the anticipated level of service degradation. In April of 2007, pilots began reporting excessive call wait times, dropped calls, lost flights plans, and specialists unfamiliar with expanded area knowledge. During the same time period, reports of problems with issuing, disseminating and coordinating Notices to Airmen (Notams) were also initially identified. The Federal Aviation Administration has taken timely action in response to these problems. We are holding Lockheed Martin accountable for meeting the requirements of the contract. Lockheed Martin has and continues to execute a corrective action plan that outlines the steps to be taken in each of these areas and is attacking these problems aggressively.

Let me briefly describe for you some of the oversight activities that the FAA has implemented to monitor Lockheed Martin in its implementation of the AFSS contract.

The FAA reviews recordings of air to ground radio and telephone communications between pilots and flight service personnel to validate performance data submitted by Lockheed Martin. FAA quality assurance evaluators perform site inspections at Lockheed Martin flight service stations. Full facility evaluations are conducted by evaluators from the FAA Air Traffic Organization's Safety and Evaluations Group. The National Weather Service examines pilot weather briefers and provides the results of the examinations to the FAA. Within the QA

program, the FAA has in place a group of 14 Quality Assurance Evaluators (QAEs) responsible for monitoring Lockheed Martin performance. This is done through facility visits and phone audits. Between 2006 and 2007, the QAEs have conducted 2,142 quality assurance calls to Lockheed Martin facilities, completing 1201 in 2006 and 940 year-to-date in 2007. By the end of 2007, the QAEs will have also completed 66 facility visits over the past two years, with 38 in 2006 and 28 (22 completed and 6 left to do) in 2007.

The FAA has received and filed a number of complaints regarding the service of Lockheed Martin under the AFSS contract. During the time period of July 23, 2007 to September 30, 2007, a total of 1150 complaints were filed over the phone and through the web covering Lockheed Martin's services in the following areas: Pilot Briefings, Flight Plans, Clearances, Weather Reporting Data, NOTAMs and In-Flight/Flight Watch.

The two most common complaints heard from GA pilots have been long call wait times and dropped flight plans. FAA is working with Lockheed Martin to fix these problems, and Lockheed Martin has taken a number of steps to reduce or eliminate the problems.

Dropped calls and long call wait times, impact the ability to obtain weather briefings and clearance delivery requests prior to flying and close out or cancel flight plans once completed. Dropped calls and long wait times for pilot weather briefings is frustrating and inconvenient; however, the aircraft has not yet departed and is still assimilating information and planning the flight, and therefore is not in jeopardy. Dropped calls and

long call wait times for flight plan cancellation/closures can result in airspace being tied up and/or the unnecessary initiation of search and rescue operations.

Dropped calls and long call wait times for clearance requests could affect safety if a pilot chooses to depart in undesirable conditions without a flight plan or briefing. The primary impact is inconvenience to the pilots and their customers, economic impact of unnecessarily burning fuel and possibly having to refuel, and a possible increase in workload for the terminal or enroute controller.

Software changes were implemented on May 18, and July 19, 2007 that have significantly decreased the number of abandoned calls. The abandoned call rate reached a peak during the week of May 6th, 2007 at 29.5% and for the week ending September 30 it was 3.4%. The contractually required APL is 7% or less for abandoned calls. Ongoing analysis to determine if additional updates/corrective actions are required continues.

Call hold times have also decreased over the past several weeks. While pilots may still experience longer waits during peak periods, the average call wait time is now consistently below forty-five seconds, down from the peak times experienced in mid-May of approximately eight minutes. Lockheed Martin has rehired employees to supplement staffing during transition and adjusts staffing to meet the call volume by day and hour of the day. Fifteen facilities have reopened, providing additional resources to help meet the workload. All but two facilities have consolidated allowing specialists to become more familiar with FS21 resulting in decreased call handle times.

Dropped flight plans present more of a technology problem than a staffing problem. Lockheed Martin made several software changes to FS21 including one that forces a specialist to select the type of flight. This has reduced the number of errors specialists are making. Also, as of July 5, 2007, the ARTCC Host computer have been adapted to respond to and process flight plans from FS21 addresses, further reducing the number of dropped or lost flight plans. Another issue identified was FS21 addressing of flight plans with departure airports located near ARTCC boundaries. In many cases, flight plans for those airports should be transmitted to ARTCCs other than the one the airport is geographically located in. Lockheed Martin made an adaptation change on September 10, 2007 for those airports. This should resolve the majority of remaining lost flight plans.

The FAA has been monitoring Lockheed Martin's staffing levels throughout the facility consolidation. As of September 10, 2007 operational staffing was 842 full performance level specialists. This decrease in staffing from the October 4, 2005 level of 1650 is due to normal attrition as well as Lockheed Martin's facility consolidation plan. While Lockheed Martin has taken some steps to manage staffing fluctuations, including increased hiring of developmental specialists, use of temporary employees, and extensive use of overtime, the FAA is concerned with ensuring Lockheed Martin maintain operational staffing levels capable of meeting current and forecasted demand for services. To this end, the FAA and Lockheed Martin have engaged in a management effort to

establish metrics and take appropriate actions. This approach will support more refined and appropriate staffing levels for future operations.

Dependent upon Lockheed Martin's meeting of an Accepted Level of Performance (APL), they receive a financial award or a credit from the FAA, unless a Lockheed Martin Corrective Action Plan is accepted in lieu of a credit. A quarterly, executive-level Board of Performance and Cost Review (BCPR) meeting provides a venue for the performance evaluation discussion with representation from both Lockheed Martin and FAA. Thus far, the FAA has levied $12.2 million in financial penalties for performance in FY 2006 and the first two quarters of FY 2007 in cases where Acceptable Performance Levels (APLs) were not met. In FY 2006 and the first two quarters of FY 2007, awards totaling $6.0 million were offered by the FAA in cases where Lockheed Martin met or exceeded the APLs.

Actions taken by the FAA and Lockheed Martin are showing results. Complaints received by Lockheed Martin have dropped off sharply, from a high of 326 the week ending May 13 down to 99 the week ending September 30 – a decline of more than 69 percent. FAA believes that continuing to monitor Lockheed Martin operational performance through FAA-internal evaluations, external evaluations by the Office of Inspector General, validation of Lockheed Martin evaluations, feedback from AOPA and the FAA complaint process, and holding Lockheed Martin accountable to performance with monetary credits and awards tied to 21 metrics defining quality service, will yield the results we sought to achieve when awarding the AFSS contract.

The AFSS Program is on track to achieve its estimated $2.2 billion savings and cost avoidance in capital and labor over a 13-year period. Although transition costs at the beginning of the contract have varied or shifted, the FAA continues to be on track toward achieving its originally estimated savings and cost avoidance.

The Congress provided the FAA with the authority – through the ATO – to operate more like a business. FAA is doing so through this performance-based contract with Lockheed Martin to operate the FSS system. We are conducting appropriate oversight; we know about the problems through our own monitoring and audits, and through complaints from AOPA and directly to the FAA complaint line; and we are taking appropriate actions under the contract. FAA is also working with Lockheed Martin to fix the problems, so that together we can provide the proper service to the customer.

In conclusion, Mr. Chairman, the FAA believes that through its oversight of the contract, and through working with Lockheed Martin and AOPA to address and remedy the identified service problems and delays, we will be able to achieve the safe and efficient AFSS system envisioned when the contract was awarded to Lockheed Martin, while realizing the cost savings to the taxpayer that validate the decision to contract for these services through a performance based contract vehicle.

I thank the Subcommittee for the opportunity to discuss this important issue. This concludes my testimony, and I would be happy to answer any questions.